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UNCLAS SANTO DOMINGO 002829

SIPDIS

STATE FOR: PM/DTCC PETER MAXWELL

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [DR](#)

SUBJECT: DOMINICAN REPUBLIC--BLUE LANTERN APPLICATION

05-956096

REF: SECSTATE 69855

¶1. Per reftel request EconOff visited HiRel Systems International, LLC (HRSI) in the San Isidro Free Trade Zone of Santo Domingo. The company is a fully-owned subsidiary company of HiRel Systems International of the United States. EconOff met with General Manager Domingo Gonzalez who has headed the manufacturing operation in the Dominican Republic since it started operations two years ago. The operation makes electromagnetic components used in the manufacture of medical and communications equipment.

¶2. The facility receives all of its input materials from the parent company's operation in Dover, New Hampshire, assembles the parts and re-exports 100 percent of the finished components to the Dover facility by Federal Express or UPS. Strict rules granting tax breaks to companies located in Dominican free trade zones prohibit the merchandise from being sold in-country. The New Hampshire facility performs final quality control, packages the parts and ships them to the customer.

¶3. HiRel Systems' Dominican operation employs 88 Dominicans and is in the process of hiring 25 new employees to expand its production. According to Mr. Gonzalez, the operation has a higher quality output than a similar assembly operation owned by HiRel in China. The higher reliability combined with a quicker turnaround time and reduced shipping costs that result from closer proximity to the United States makes the Dominican operation more efficient than the one in China and Gonzalez is optimistic about the facility's future.

¶4. EconOff also met with HiRel's local controller, Luis Martinez. Post is not aware of derogatory information about the company and HRSI appears to be a reliable recipient of controlled technical data for U.S. Munitions List items.

KUBISKE